
EDUCATION & LABOR COMMITTEE

Congressman George Miller, Chairman

Thursday, November 19, 2009
Press Office, 202-226-0853

Chairman Andrews Statement at the hearing on “*Examining the Delphi Bankruptcy’s Impact on Workers and Retirees*”

WASHINGTON, D.C. – *Below are the prepared remarks of U.S. Rep. Rob Andrews (D-MI), chairman of the Subcommittee on Health, Employment, Labor and Pensions.*

Good morning and welcome to the Health, Employment, Labor and Pensions Subcommittee hearing on [Examining the Delphi Bankruptcy’s Impact on Workers and Retirees](#).

We appreciate the attendance of today’s witnesses in helping members of the subcommittee better understand the effect the bankruptcy of General Motors and Delphi Corporation has had on workers’ retirement benefits.

Holding jurisdiction over the Employee Retirement Income Security Act – which was established by Congress in 1974 to protect employee welfare benefits – the Health, Employment, Labor and Pensions Subcommittee’s concern is heightened when the retirement benefits of American workers are subject to significant reduction.

The subcommittee is sympathetic to the plight of the health and retirement benefits of Delphi workers and retirees. In particular, those workers and retirees under the Delphi Salaried Pension Plan, which are expected to see their retirement benefits reduced.

The purpose of today’s hearing is to provide members of the subcommittee with a first-hand account from aggrieved Delphi salaried retirees. Furthermore, the subcommittee will further educate members about the General Motors/Delphi Corporations bankruptcy proceedings, as well as highlight the exposure to risk workers’ face; in this particular instance, their pensions.

The recent bankruptcy proceedings of General Motors and Delphi Corporations demonstrate the degree to which employee pension benefits are exposed to either a reduction or diminishment.

Present issues regarding pension obligations of auto parts maker Delphi go back to 1999 when the company was spun off by General Motors. At the time, GM promised to takeover pension obligations for hourly workers if Delphi was ever in financial trouble. In October 2005 Delphi filed for bankruptcy protection.

Three years later, in September 2008, a deal was struck with Delphi's unsecured creditors and approved by federal bankruptcy court, authorizing the transfer of \$3.4 billion of Delphi hourly employee pension obligations to GM. At the time, the move averted putting the obligations into the hands of the PBGC.

At the beginning of June 2009 GM filed for Chapter 11 bankruptcy protection. The GM bankruptcy filing interrupted the September 2008 agreement for GM to absorb the Delphi hourly employee pension obligations. Prior to filing for bankruptcy, GM absorbed \$2.5 billion in pension liabilities per the September 2008 agreement. The termination of the plans makes the PBGC responsible for the benefits of 70,000 Delphi workers and retirees, including salaried employees and some hourly employees. The PBGC predicts its total obligation for Delphi's pension shortfall to be \$6.2 billion.

In July 2009, the federal Pension Benefit Guaranty Corporation announced it was taking over obligations for Delphi Corporation's six pension plans, which covers over 70,000 workers and retirees. The corporation had separate plans for hourly employees and salaried employees, in addition to four smaller plans.

With respect to 47,000 hourly workers and retirees in the Delphi Hourly Pension Plan, the PBGC expected to assume \$4 billion of the \$4.4 billion unfunded liability, leaving a \$400 million shortfall. The PBGC expects to cover \$2.2 billion of the \$2.6 billion in unfunded liabilities of the 20,000 workers and retirees in the Delphi Salaried Pension Plan, leaving a \$400 million shortfall.

I look forward to the testimony of all of our witnesses and thank them again for participating in this important hearing.

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